BRITISH COLUMBIA'S POSITION ON ENERGY SUPPLY SECURITY

1. Energy Overview

British Columbia is well endowed with energy resources, having developed reserves of hydroelectricity, natural gas and coal that exceed the requirements of Provincial and other accessible Canadian customers. However, British Columbia depends on out-of-Province supplies for 75 percent of its oil needs and this dependence is forecast to grow to 81 percent by 1995.

Apart from this deficit oil position, the Province has substantial surplus energy in the form of developed and undeveloped natural gas reserves, existing electricity generation capacity and undeveloped hydro resources.

2. Energy Strategy

The primary objective of British Columbia's energy policy is to rely on market forces to ensure that domestic customers have access to adequate supplies.

In the electricity sector, Provincial policy has been directed at marketing B.C. Hydro's surplus of firm and non-firm hydroelectricity. In 1985, the Industrial Electricity Rate Discount Act was introduced to enable sales of surplus firm power for incremental consumption by industry. B.C. Hydro has also introduced an interruptible electricity rate program for all customer classes. Power pricing in both programs will be adjusted to reflect short and long-term market conditions.

The Province is also investigating other ways to introduce more competition in the electricity sector. This would involve an increasing role for the private sector and more flexibility in wheeling arrangements.

British Columbia will continue to be a net exporter of natural gas for the balance of this century. Current policy includes the following elements:

- deregulated prices which allow the market to balance supply and demand;
- relaxed natural gas surplus procedures; and
- privatization of the marketing role of the British Columbia Petroleum Corporation.

These initiatives place a strong emphasis on the marketplace to ensure natural gas supply security.

Work is proceeding to develop a program aimed at recovery of energy from municipal solid wastes. The program is designed to mitigate an increasingly serious disposal problem and to provide a demonstration medium for the development of appropriate technologies and manufacturing facilities in the Province.

British Columbia recognizes conservation as an important mechanism for reducing the demand for oil and other fuels, provided that conservation measures are cost-effective. B.C. Hydro intends to treat conservation as a long-term supply option.

Establishment of a strategic petroleum reserve has been suggested as an option for providing oil supply security. British Columbia does not subscribe to this view.

In the short term, our oil supply security is based on reserves of conventional oil in Alberta, Saskatchewan and British Columbia. The market will determine the timing of any transition to other sources of supply.

Thus, the Province does not agree with the premature building of new energy projects for the development of oil resources which would not be economic at current prices.

3. Conclusion

Private investors are quite willing to accept the normal risks in a market-oriented system. Therefore, the Government's role should be to create stable and rational energy policies consistent with the operation of market forces.